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MAR 05 2015

SECRETARY, BOARD OF
OIL, GAS & MINING

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF NEWFIELD PRODUCTION COMPANY FOR AN ORDER MODIFYING THE BOARD'S ORDER ENTERED IN CAUSE NO. 139-117 TO REDUCE THE NORTH-SOUTH DRILLING BOUNDARY SETBACK FROM 660 FEET TO 330 FEET FOR THE SPECIAL PILOT 1280-ACRE DRILLING UNITS FOR THE PRODUCTION OF OIL, GAS AND ASSOCIATED HYDROCARBONS FROM THE UPPER WASATCH FORMATION ESTABLISHED THEREUNDER, COMPRISED OF SECTIONS 15 AND 22, T3S, R2W, USM, AND SECTIONS 3 AND 10, AND 15 AND 22, RESPECTIVELY, T3S, R3W, USM, DUCHESNE COUNTY, UTAH

**[PROPOSED]
FINDINGS OF FACT,
CONCLUSIONS OF LAW AND
ORDER**

Docket No. 2015-007

Cause No. 139-129

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, February 25, 2015 at approximately 9:05 a.m. in the Auditorium of the Utah Department of Natural Resources Building in Salt Lake City, Utah. The following Board members were present and participated at the hearing: Chairman Ruland J. Gill, Jr., Gordon L. Moon, Chris D. Hansen, Carl F. Kendell, and Michael R. Brown. Board members Kelly L. Payne and Susan S. Davis were unable to attend the hearing. At the commencement of the hearing, Chairman Gill stated he owned a mineral interest of less than 1% within Section 10 of T3S, R3W, and offered to recuse himself if there were any objections, but no objections were voiced and he participated

accordingly. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Newfield Production Company (“Newfield”) were Roxann Eveland – Land Lead, Jill Thompson – Geologist, and Sarah Fenton – Staff Reservoir Engineer. Ms. Thompson and Ms. Fenton were recognized by the Board as experts in geology and petroleum engineering, respectively, for purposes of this Cause. Frederick M. MacDonald, Esq., of and for MacDonald & Miller Mineral Legal Services, PLLC, appeared as attorney for Newfield.

The Utah Division of Oil, Gas and Mining (the “Division”) elected not to file a staff memorandum in this Cause, but participated in the hearing. John Robinson Jr., Esq., Assistant Attorney General, appeared as attorney for the Division. At the conclusion of Newfield’s presentation in-chief, Mr. Robinson made a statement indicating the Division supported the granting of Newfield’s Request for Agency Action filed on January 7, 2015 in this Cause (the “Request”), as conformed to the testimony and other evidence provided at the hearing.

No other party filed a response to the Request and no other party appeared or participated at the hearing.

The Board, having considered the testimony presented and the exhibits received into evidence at the hearing, being fully advised, and for good cause, hereby makes the following findings of fact, conclusions of law and order in this Cause.

FINDINGS OF FACT

1. Newfield is a Texas corporation with its principal place of business for Rocky Mountain operations in Denver, Colorado. Newfield is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal, Indian and State of Utah agencies.

2. By Order entered June 13, 2014 in Cause No. 139-117 (the "139-117 Order"), the Board modified its previous orders entered in Cause Nos. 139-103 and 139-110 to allow up to eight (8) super-extended lateral ("SXL") horizontal wells upon each of the previously established drilling units for the production of oil, gas and associated hydrocarbons from the Upper Wasatch formation, defined as follows:

the base of the Uteland Butte Member of the Lower Green River formation to the top of the Wasatch Red Beds, being the stratigraphic equivalent of the interval from 8,765 feet to 9,967 feet MD as identified in the Dual Induction Log run on March 7, 1972 in the JW Accawinna # 1 Well located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 13, T3S, R3W, USM,

(the "Subject Formation"), comprised of the following respective Duchesne County, Utah lands:

Township 3 South, Range 2 West, USM

Sections 15 and 22: All

Township 3 South, Range 3 West, USM

Sections 3 and 10: All

Sections 15 and 22: All

(collectively the “Subject Lands”), among other lands. As relevant to the Subject Lands, the Board established 660-ft setbacks from all drilling unit boundaries.

3. There currently are four (4) SXL wells operated by Newfield on the Subject Lands producing from the Subject Formation, as follows:

<u>Well Name</u>	<u>Drilling Unit</u>	<u>DOFP</u>
Aubrey 2-15-22-3-2WH	Secs. 15 and 22 (T3S, R2W)	2/4/14
Perank 13-10-3-3-3 WH	Secs. 3 and 10 (T3S, R3W)	5/16/14
Marie 15-22-15-3-3 WH	Secs. 15 and 22 (T3S, R3W)	9/19/14
Accawinna 13-22-15-3-2WH	Secs. 15 and 22 (T3S, R2W)	10/12/14

4. Microseismic studies and drilling induced fracture measurement developed from the drilling of these and other SXL and Central Basin wells producing from the Subject Formation indicate the average dominant hydraulic fracture orientation is North 51.5° West. Microseismic data and modeling also suggests an average effective hydraulic fracture half-length of 334 feet. Assuming wellbore perforations of a SXL 330

feet from the North or South drilling unit boundary, an average effective hydraulic fracture would stop about 122 feet short of the drilling unit boundary. The result is contact with an additional 660 feet of productive zone and recovery of additional resources that would not otherwise be recovered under the existing setback (thereby preventing waste), while minimizing adverse impact upon, if not fully protecting, the correlative rights of the production interest owners in the lands directly adjacent to the North and South of the Subject Lands.

5. The Board has already recognized the appropriateness of a 330-ft North-South boundary setback for SXL well development of the Subject Formation in its Order entered in Cause No. 139-123 on November 12, 2014, in which it authorized an additional seven drilling units for the Subject Formation for SXL development. Specifically, in Findings of Fact No. 12 thereof, the Board stated:

Based on the micro-seismic studies and drilling-induced fracture measurements, a reduced setback from the North and South boundaries of the Drilling Units from 660 feet to 330 feet should result in an approximate additional 60 MBO per Drilling Unit without adversely affecting the correlative rights of the owners in the adjacent sections.

Thus, the relief requested in the Request is entirely consistent with prior Board precedent.

6. A copy of the Request was mailed, postage pre-paid, certified with return receipt requested, and properly addressed to all working interest owners (including unleased owners) within the Subject Lands and the lands adjacent to the North and South

of the Subject Lands as depicted on Exhibit "D" admitted into evidence, and to the Utah Division of Forestry, Fire and State Lands ("DFFSL"), the Utah School and Institutional Trust Lands Administration ("TLA"), Bureau of Indian Affairs – Uintah & Ouray Agency ("BIA"), and the Vernal Field Office of the Bureau of Land Management (as advisor to the BIA), being the supervising governmental agencies having jurisdiction over the State, Tribal and Allotted minerals. The mailings were sent to said parties at their last addresses disclosed by the relevant DFFSL, TLA, BIA and Duchesne County realty records.

7. Notice of the filing of the Request and of the hearing thereon was duly published in the Salt Lake Tribune and the Deseret Morning News on February 1, 2015 and the Uintah Basin Standard on February 3, 2015.

8. The vote of the Board Members present and participating in the hearing on this Cause was unanimous (5-0) in favor of granting the Request.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request in the form and manner as required by law and the rules and regulations of the Board and Division.

2. The Board has jurisdiction over all matters covered by the Request and all interested parties therein, and has the power and authority to render the order herein set forth pursuant to Utah Code Ann. §§ 40-6-5(3)(b) and 40-6-6.

3. The Board takes judicial notice of the exhibits and testimony received into evidence at the hearing in Cause No. 139-123 pursuant to Utah Code Ann. § 63G-4-206(1)(b)(iv), including, in particular, reserve estimates of SXL wells in the Subject Formation.

4. Reduction of the North-South setbacks from 660 feet to 330 feet is fair, just and reasonable under the circumstances and will not adversely affect the correlative rights of the owners in the adjacent lands.

5. The relief granted hereby will result in consistent and orderly development and the greatest recovery of oil, gas and associated hydrocarbons from the Subject Formation and underlying the Subject Lands, prevent waste and adequately protect the correlative rights of all affected parties.

6. Newfield has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for granting of the Request.

ORDER

Based upon the Request, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board hereby orders:

1. The Request in this cause is granted.

2. The 139-117 Order is hereby modified to reduce the North-South drilling unit boundary setback from the current 660 feet to 330 feet on the special pilot 1,280-acre (or substantial equivalent combination of lots and quarter-quarter sections) drilling units for oil, gas and associated hydrocarbons produced from the Subject Formation (as defined above) comprised of the Subject Lands (as defined above). In all other respects, the 139-117 Order is hereby confirmed to remain in full force and effect.

3. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. § 63G-4-204 to 208, the Board has considered and decided this matter as a formal adjudication.

4. This Order is based exclusively on evidence of record in the adjudicative proceeding or on facts officially noted, and constitutes the signed written order stating the Board's decision and the reasons for the decision, all as required by the Administrative Procedures Act, Utah Code Ann. § 63G-4-208 and Utah Administrative Code Rule R641-109.

5. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. § 63G-4-208(e) - (g), the Board hereby notifies all parties in interest that they have the right to seek judicial review of this final Board Order in this formal adjudication by filing a timely appeal with the Utah Supreme Court within 30 days after the date that this Order issued. Utah Code

Ann. §§ 63G-4-401(3)(a) and 403. As an alternative to seeking immediate judicial review, and not as a prerequisite to seeking judicial review, the Board also hereby notifies parties that they may elect to request that the Board reconsider this Order, which constitutes a final agency action of the Board. Utah Code Ann. § 63G-4-302, entitled, “Agency Review – Reconsideration,” states:

(1)(a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under Section 63G-4-301 is unavailable, and if the order would otherwise constitute final agency action, any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.

(b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.

(2) The request for reconsideration shall be filed with the agency and one copy shall be sent by mail to each party by the person making the request.

(3)(a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.

(b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied.

Id. The Board also hereby notifies the parties that Utah Admin. Code Rule R641-110-100, which is part of a group of Board rules entitled, “Rehearing and Modification of Existing Orders,” states:

Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing

must be filed no later than the 10th day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of the month.

Id. See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for Rehearing. If there is any conflict between the deadline in Utah Code Ann. § 63G-4-302 and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this matter, the Board hereby rules that the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the party may still seek judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

The Board retains continuing jurisdiction over all the parties and over the subject matter of this cause, except to the extent said jurisdiction may be divested by the filing of a timely appeal to seek judicial review of this order by the Utah Supreme Court.

For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

DATED this _____ day of March, 2015.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

By: _____
Ruland J. Gill, Jr., Chairman

CERTIFICATE OF SERVICE

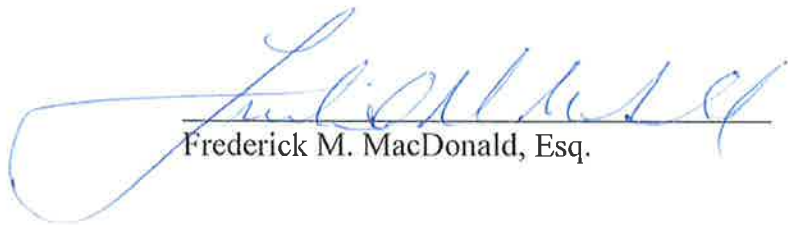
I hereby certify that, on this 5th day of March, 2015, I caused a true and correct copy of the foregoing Proposed Findings of Fact, Conclusions of Law and Order to be mailed, postage pre-paid, and sent electronically to the following:

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